

# The Daily Star

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## Vaulting Fuel Prices

IN less than three years' time the government has raised fuel prices twice, each time by a big margin. In 1997 the government had increased the prices of petrol and octane from the previous notches of Tk 13 and Tk 14 per litre to Tk 21 and Tk 23 respectively. One would have thought that the government had raised the prices that high by one stroke so as to avoid increasing them again, at least for a reasonable length of time. Alas, the temptation has proved irresistible and what we see now is another series of hikes - petrol and octane selling at Tk 23 and Tk 25 per litre respectively since day before yesterday.

That's not all, diesel and kerosene prices which were not raised in 1997 - perhaps visualising its debilitating effect on transport operators and users, agriculturists and general consumers - have now been abruptly raised by Tk 2.5 per litre, in both cases turning a Nelson's eye to those very considerations which had then benignly weighed with the government.

Another shocker happens to be the increase announced lately in the price of gas by 15 per cent on top of the 15 per cent raised earlier on December 1, 1998. Although we don't have to import this fuel so as to be affected by any international price spiral, still its price has gone up. For domestic use, the double burner is to be charged Tk 333.50 in place of Tk 290, the steep rise looking too graphic for comfort of the middle class, especially when the higher prices of other fuels are bound to put pressure on the priceline in general.

The stock argument advanced by the government to justify another spate in the fuel prices has been that the international prices having soared they were left with no option but to resort to it. In other words, by implication, the government stood committed to decreasing the fuel prices if the international prices were to come down. Far from living up to this commitment, the government seemingly revelled in renegeing on it. When the overseas price rose to US 30 dollar per barrel in 1997 the asking price of fuel in Bangladesh got pushed up - thanks to government's activism. But in 1998-99 when the international price per barrel came down drastically to US 8-9 dollar there was no downward revision of the local price whatsoever, not to speak of a decrease *pro rata* which would have been in the fitness of things going by the original justification provided for the price increase. Government made windfall profits without any compunction being shown to the plight of consumers who were forced to pay higher prices for just about anything.

The policy is patently opportunistic, exploitative and exacting in nature. What kind of funny economics is this that the government receives import duties worth Tk 2000 crore every year from the Bangladesh Petroleum Corporation (BPC) and feels impelled to raise the fuel prices because BPC is running at a loss of Tk 1300 crore annually?

The IMF Resident Representative in Dhaka Ronald P Hicks says, "currently, the monetary expansion rate is almost 20 per cent which not only threatens inflation ignition but also reduction of the country's external competitiveness". Let's add to it to say that after the devaluation of taka the imported oil will carry an element of imported inflation into the country, let alone the inflationary pressures likely to be exerted by the higher fuel prices on the national economy.

UNLIKE diamond, devaluation is not forever. Countries resort to it as and when necessary. Bangladesh Taka has been devalued once again. This is the seventeenth change in the exchange rate since 1996. More importantly, the magnitude of change this time has been the highest since 1975, the taka having been devalued by six per cent against the US dollar.

The authorities have given several reasons for devaluation most of which are familiar. The first and the common argument is that it will be a spur to our exports. The second is that many South and South East Asian countries have devalued their currencies several times and by higher percentages than us. Among the neighbours the case of India has been specially singled out on the ground that the difference in foreign exchange rate (with dollar) between the two countries have allegedly had adverse impact on official trade. The third and final explanation given is that devaluation will deter Hundi business and curb smuggling. The last two reasons appear to be the most immediate and overriding ones.

The authorities have already indirectly admitted that the impact of devaluation on our exports is likely to be nominal. Not only our export-GDP ratio is small, about 60 per cent of export is on back-to-back letter of credit (LC) where no foreign exchange transaction takes place. So, devaluation by itself is not going to increase export in this sector (garment) at all. As regards the remaining 40 per cent of our exports it is doubtful if devaluation is going to lure more foreign buyers or encourage existing ones to buy more from Bangladesh because of devaluation. This will depend on the price elasticity of demand for the goods imported by foreigners. Though no data or facts are readily available, keeping in view our traditional exports it can be said that in most cases the demand for these would be price inelastic. If a country requires a certain quantity of jute goods (say for carpet backing) it is not going to buy more simply because jute goods have become

As demand for most of these items are price inelastic (even for luxuries used by the rich) the higher import bill is going to put great strain on our foreign exchange reserve. The widening gap between export earnings and increasing size of import bill will further worsen the current account deficit. Moreover, increase in retail prices over a large number of goods will create strong inflationary pressure in the economy. So, far from addressing the problem of trade imbalance, the decision to devalue by such a big margin is going to exacerbate the situation.

cheaper after devaluation. The manufacturer abroad will also take into account the price elasticity of demand of buyers of carpet in the home market. As regards new foreign buyers, political instability, our poor record in quality production, delay in delivery and congestion at port will be some of the negative considerations that will be weighed in seriously before taking a decision. Quality control and timely delivery are more important attractions to buyers than cheap price. Our neighbours being competitors in the case of most of the exportables are likely to score better on account of these non-financial factors. So it can be reasonably concluded that devaluation will not have more than a marginal impact on our exports.

Import, on the other hand, is going to be badly pumelled by the decision to devalue as our import-GDP ratio is much higher than export-GDP ratio. The immediate effect will be higher prices on imported items from food, petroleum products, medicine to machinery and spare parts. As demand for most of these items are price inelastic (even for luxuries used by the rich) the higher import bill is going to put great strain on our foreign exchange reserve. The widening gap between export earnings and increasing size of import bill will further worsen the current account deficit. Moreover, increase in retail prices over a large number of goods will create strong inflationary pressure in the economy. So, far from addressing the problem of trade imbalance, the decision to devalue by such a big margin is going to exacerbate the situation.

It is fallacious to give references to devaluation in currencies made by countries like Thai-

land, Singapore, Indonesia, Philippines, and Korea in the South East Asian region and by India, Pakistan and Sri Lanka in the SAARC bloc. The first category of countries was forced to devalue after their financial meltdown in 1997, which led to massive foreign capital flight. Over-borrowing from banks, huge amount of non-performing loans, runaway inflation and overvalued currency made those countries unattractive and unsafe as off-

export earnings. With 60 per cent of our export being outside foreign-exchange transaction we do not belong to this league. The basis for comparing with these countries is very tenuous.

A separate case has been made out by the authorities in respect of India because misalignment of foreign exchange rate between it and Bangladesh is thought to be the main reason for smuggling. The solution sought through devaluation is equilibrium in the

achievement of equilibrium in the foreign exchange rates is an exercise in futility. This being the case, how is devaluing taka or "making correction in the exchange price" aligning it correctly with Indian rupee going to have a major impact on smuggling? Experience shows that in the world of smuggling it is the demand and supply that determine price, not the officially determined exchange rates. Avoidance of payment of customs duty and other transaction costs make smuggling profitable even when there is exchange rate equilibrium involving the traded goods. The equilibrium rate can at best reduce the margin of profit but can neither root out smuggling nor bring it within the ambit of official trade. Moreover, in smuggling very often it is not the price differential that encourages the business. Demand gap and short supply are important factors at work. Considerations of quality and fascination for the exotic also play their due parts. If Bangladesh was a surplus producer in any of the unofficially traded goods the direction of business could perhaps be reversed and tilted in our favour. Unfortunately this is not the case regarding a large variety of goods (even our much vaunted hilsa is in short supply). To curb smuggling there is no better and more effective method than production in sufficient quantity and with competitive quality. As long as our producers remain indifferent to this and our authorities fail to give them adequate support our market will be flooded with foreign goods, smuggled and traded. Devaluation is just scratching at the surface or merely toying with the symptoms. Smuggling is a deep-seated economic problem which does not lend itself to easy solution, not to speak of simple

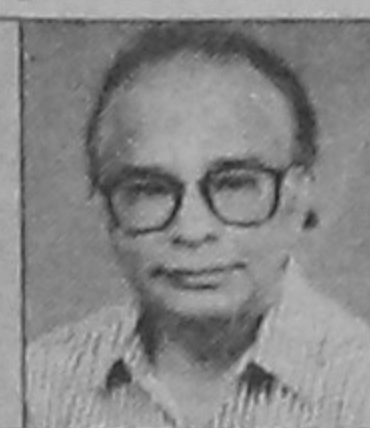
manipulation by exchange rate policy.

There is little doubt that the latest decisions to devalue was taken in the wake of series of disclosures about the widespread tentacles of Hundi business. The problem is serious and has been simmering for a long time before coming to a head. The question is will the present devaluation measure work in practice and stem the tide of racketeering in currency? Hundi business thrives not only because the recipients of taka in Bangladesh receive more than the official value of foreign exchange remitted. It is popular largely because of the speed of delivery and absence of harassment.

Unless the official channel for remittance is streamlined and made more humane no amount of tinkering with the exchange rate is going to change the sordid situation, at least not to any appreciable degree. The system of payment of remitted money through post office in the UK has proved to be popular as well as effective but the volume involved is still very small. If this channel is improved and enlarged more remittances from the UK can be expected to be channelled through the official network. But not enough thought is being given to the potentials of the system. On the contrary, even banks in Bangladesh have become involved in the unofficial remittance business. Devaluation by itself cannot address the issues of incentive and disincentives involved in this area and nothing short of a package programme can make a breakthrough in the vicious cycle. Even before IT and globalisation, foreign exchange market was much too sophisticated to be kept under leash by the regulators. Now it can operate almost at its sweet will, delivering anywhere twenty-four hours of day and night. Devaluation is an old workhorse whose effectiveness is being nibbled at by the border-less global economy. In it use discretion has now become better part of wisdom. Its frequent use may not only be counterproductive. Indiscriminate devaluation can devalue itself.

## IN MY VIEW

Hasnat Abdul Hye



shore investment haven to foreign investors. Devaluation of currencies in the South East Asian countries became essential for their financial survival and to reassure the shaky foreign investors. In Bangladesh we do not have such a situation. The involvement of foreign capital, either in DFI or in portfolio investment, is negligible. If there is going to be flight of foreign capital, it will not be for overvalued taka or spiralling inflation. Giving examples of the South East Asian countries, which devalued in 1997 and thereafter following their financial debacle, is just showing red herring.

As regards countries in South Asia India, Pakistan and Sri Lanka, they are a different kettle of fish. All of them have robust export sector and rising volume of exports, which include both traditional and non-traditional goods and services. Devaluation in these countries has worked exactly as the textbook says viz. increasing exportables and

foreign exchange rates of the two countries. Before analysing the scope and effect of equilibrium exchange rate let us see what this is all about. It is an old idea in theory sometimes reflected in real life that currencies have an equilibrium level to which they eventually return. Behind this old idea of foreign exchange equilibrium is the theory of purchasing power parity (PPP). According to this theory, in the long run exchange rates should move to a level that makes a basket of tradable goods and services cost the same in any two countries. But the problem is PPP focuses only on traded goods and smuggled goods are not traded in that sense. According to an estimate about US\$ 6 billion worth of goods are involved in the smuggling business in Bangladesh and India which means that this amount is beyond the pale of official foreign exchange transaction. When smuggled goods are not officially traded and as such are not within the purview of purchasing power parity,

# Anatomy of a Coup: A Journey of a Quarter Century

Continued from yesterday  
THE contacts occurred during the period in which the Church and Pike Congressional Committee hearing in Washington on CIA assassinations of foreign leaders were gearing up. The committee hear-

During my three hour interview with Mustaque at his home in Dhaka in 1976, Mustaque confirmed the contacts that had taken place in Calcutta in 1971, but refused to specify what had been agreed with the Americans at the time.

"If you want to know," Mustaque told me, "you should go ask Nixon. I am not going to tell you."



bypassed the dominant leadership of the provisional government, in the person of the then Prime Minister Tajuddin Ahmed. Tajuddin and virtually the entire Bengali leadership were adamant regarding complete independence. The refusal of the Pakistani authorities in March 1971 to accept the results of the elections (which would have made Mujib the prime minister of all Pakistan), combined with the brutal magnitude of the repression, made the Provisional Government's standpoint clear and unconditional: there would be no negotiated solution short of full independence for Bangladesh. The solitary exception to this among the exiled Bengali leadership was Khondakar Mustaque. Henry Kissinger then working with Pakistan's military junta, through whom he was simultaneously channelling the most sensitive negotiations of his career those with China began an exercise aimed at dividing the exiled Awami League on the question of independence. Absolute discretion and secrecy was the key to splitting the Bengali leadership and supporting that faction which would be prepared to compromise with Pakistan and not demand full independence.

The writer is presently working as a Research Associate at the Yale Center for International and Area Studies, Yale University. He was recently named a Fulbright Scholar for South Asia. The third installment appears tomorrow.

## Friday Mailbox

### Manipulated mourning!

Sir, During this year's National Mourning Day, we were forced to mourn. Our Information Ministry ordered the cable TV operators (and the Cable Operators' Association [COAB] had obeyed accordingly) not to transmit any channels other than the benign (?) ones like BTV, ETV, BBC, CNN etc to observe the death anniversary of Bangabandhu Sheikh Mujibur Rahman. We do not mind cessation of transmission of all TV channels for a day or two. But when the government tries to meddle with the limited freedom we have, it indeed becomes reason for annoyance.

Old wounds heal and grief however strong withers away with time. But for our Information Ministry the process seemed to work the other way round. For, we never heard of any such directive last August or the August before that. Perhaps this year our Information Ministry was so overwhelmed with grief that, with clouded vision, they did not notice that they were violating people's rights. And it appeared that the Information Ministry was trying to force people to mourn, without any regard to their free will. Even without the imposition, the nation would have mourned the death of its founder and the state-controlled media would have transmitted befitting programmes. And the followers of the great leader would have watched those programs and refrained from lighter ones as a mark of respect. So this unnecessary attempt of shutting down a few TV channels and compelling people to mourn seemed to be really futile and ridiculous.

Chowdhury Mushtaq Ahmed  
Sheikhghat, Sylhet

### "No Looking Back for Biman Now"

Sir, Your editorial dated August 10, on Biman under the above heading is encouraging, thoughtful and above all very timely. The way the employees of six unions got united, acted responsibly and above all showed their love for the Airline was really overwhelming. It is indeed about time to leave the odds behind and look forward to the National Airline again flying high in fame with new generation aeroplanes like A340 or B777. On the other hand, the management should also realise, if you manage the men, the men will manage the machines.

The MoU that has been signed between the management and the employees union to look for a strategic partner (SP) just like Emirates and Lankan Airlines did is indeed very encouraging and enterprising. But unless SP has full control and partial ownership, Biman will go back there, where we do not want to see it. Apart from that, the 51 per cent share has to be worked out, for the betterment of Biman.

During mid 1979 to mid 1981 QANTAS Australian Airlines extended their hand to Biman as a sort of SP with millions of Australian dollars. But because of too much local intrusions in their working pattern they had to leave behind an unfinished agenda. QANTAS, the only accident free airline of the world can be contacted again to groom Biman. All the fame and fortune Malaysian Airlines has today is for QANTAS. SAS can be contacted as well. Behind the achievements of Thai Airways SAS had a prominent role to play. The sooner the management and union gets down together to comply

with the MoU, better for the airlines to fly high and build our home in the air.

Mazhar Haq  
House#52, Road#28, Apt A-5  
Gulshan-1, Dhaka-1212

### BCS and BJS

Sir, The Prime Minister's repeated public attacks on the judiciary should hasten the necessary reforms awaited for decades. If a Bangladesh Judicial Service (BJS), separate from the BCS, can solve the problem, it may be examined in the JS.

The issue has advanced too far now after the PM's intervention, to go back to normal and continue the service in the existing way. The separation of the judiciary and judicial reforms have been delayed due to lack of consensus amongst the politicians and the bureaucracy (the judiciary would welcome it).

The present controversy has been unfair to the judges they cannot speak out publicly, as pointed out in the DS editorial (Aug 12). It is also unfortunate that sometimes the politicians give the wrong lead to the ways public opinion is formed. Do we need GE (genetically-engineered) political standards? It is all so confusing to the vast majority of the voters what is going on?

A Mawaz  
Dhaka

### Billion dollars for jute?

Sir, It was a most pleasant surprise to read a news report (DS, August 10) that a relatively obscure US company is thinking of setting up a billion dollar composite jute plant in Bangladesh; subject to a feasibility study to be undertaken soon.

This positive development comes at a time when the global jute situation is gloomy: the UJO collapsed (for reasons well publicised), and exports of raw jute and finished or semi-finished products have been facing a shrinking global market.

Now this company is going to try a completely new market in the US and Europe of jute bricks as a housing construction material for insulation purpose. The huge investment budget estimate appears to be too big for a completely untied field; using only one eighth of the total jute produced in Bangladesh. Let us all hope that the feasibility study would be favourable.

AMA  
Dhaka

### Commendable step

Sir, An advertisement of Dutch-Bangla Bank appeared on the front page of your esteemed daily on August 9, has attracted my attention. The ad notifies that the bank has arranged for providing free examinations, diagnosis and blood transfusion services for the dengue affected people.

There are many dengue afflicted patients who cannot afford to meet the expenses of unprecedented dengue scourge. Really, it is a rare but commendable step taken by the bank for a good cause. This noble initiative will help relieve suffering/panic among dengue patients to a large extent. This attempt will also inspire other establishments/people to take necessary measures to control the dengue menace and to respond to national calamities.

We would like to congratulate Dutch-Bangladesh Bank for extending its helping hands towards the dengue victims in these troubled times.

Ahmad Mohammad Farukh  
Dhaka

ings were having their own impact within the American diplomatic and intelligence bureaucracies, creating great nervousness and anxiety. The American press was openly speculating that senior American intelligence officials might face imprisonment for illegal clandestine action in Chile and elsewhere. According to this senior Embassy official, the American Ambassador, Davis Eugene Booster, gave strict orders that all contacts with the group planning the coup be broken off. "In January 1975 we came to an understanding in the embassy that we would stay out of it," said our source. "I can't say there was any approach to the embassy by any of these people in the period from January to August. In the period before that they did try to approach us." Another Embassy source claimed that while contact was broken off at the level of diplomatic and foreign service officials who wished to remain "clean" liaison was taken over and carried on through the channel of the American Embassy's CIA Station Chief, Philip Cherry and other station agents.

Indeed, Embassy sources claim that Ambassador Boster was deeply disturbed to see that the men who were at the centre of the coup in August were precisely those with whom six months earlier he had ordered all contact be broken. An Embassy source, who worked closely with Boster, claimed the Ambassador believed the CIA Station had acted behind his back, possibly with "back channel" authority from CIA headquarters in Langley or from Washington. When I interviewed Philip Cherry in September 1978, he categorically denied these allegations. "We had no Bangladeshis come into the office and tell us anything about any plans for coups or anything like that," he said. "We had all kinds of Bangladeshis coming into the office, but not for that reason. If anyone like that had come in, I would have heard from my colleagues who were there before, they would have been listened to but told to go away." Cherry did, however, add an important qualification. "There is one thing," he said. "There are politicians who frequently

approach embassies, and perhaps have contacts there. They think they may have contacts. But that's a far cry from any of those embassies involved in assisting them in involvement in a coup. A political officer's job is to assist his government by providing information on what is going on a good political officer has many contacts. But that does not mean he is advising these politicians or coup leaders to overthrow governments." Indeed, Khondakar Mustaque had an important basis on which to "think he had contacts." For years among those familiar with the events of Pakistan's civil war, there had circulated vague stories and rumours of secret contacts and negotiations carried out by the Americans in 1971. However, there had never been any precise information confirming the existence and nature of these contacts. Yet, according to documents contained in an unpublished study commissioned by the Washington-based Carnegie Endowment for International Peace, a leading American foreign policy research institution, the existence of these links were

definitively established. In 1973 the Carnegie Endowment commissioned a study of the conduct of US policy during the 1971 Bangladesh crisis to examine the process whereby the US "tilt" toward Pakistan virtually countenanced genocide. The project was directed by Roger Morris, a former National Security Council aide to Henry Kissinger. Morris had resigned from Kissinger's staff due to sharp differences with Kissinger following the invasion of Cambodia by American military forces in 1970. Due to internal dissension at Carnegie the nine-month study was never completed, despite the fact that over 150 senior officials from the State Department to the Central Intelligence Agency had been interviewed in detail. What the Carnegie documents made unequivocally clear is that secret contacts were made in 1971 with a faction of the Bangladesh Provisional Government in the hope of splitting the independence movement. The US contacts were made with the Mustaque faction of the Awami League in Calcutta and were highly sensitive since they

# The Other Side of Love

louts? If the film actress is right then an infatuated man has harassed her. Whereas the model loved an infernal man whose heart was on her bounty and eyes on her beauty. The Roman poet Ovid pictured a lover in *Ars amatoria* who is the slave of passion, sighing, trembling, growing pale and sleepless, even dying for love. True love can be debilitating, but pretentious love can be deadly. There are many instances of credulous girls being deceived by their lovers. At the time of evacuating the brothels of Tanbazar, some of the prostitutes narrated their chilling stories. The very men whom they had given their hearts, sold them to the brothels like astute dealers who wanted to fetch value on the chassis of vehicles whose engines were damaged.

Often that damage can be atrociously bizarre. A frustrated storekeeper in Rajshahi conspired with police to pick up a girl who didn't respond to his advances. In the police station the girl was gang-raped, ultimately forced to enter prostitution. Desperate lovers can be ruthless when rejected or betrayed and do horrendous things in revenge. In Shakespeare's *Othello*, the namesake Moorish general quells tumults in the streets with a few words, bears himself with dignity before the Venetian council, and accepts his military burden with quiet

confidence. But such a man of great stature faltered when his wife's handkerchief surfaced in another man's possession. Without realising that it was part of a conspiracy against him, he killed his wife Desdemona, distraught with anger. After he learned that his wife was blameless, he asked to be remembered as one who "loved not wisely but too well," and killed himself.

In all that happens in the name of love, the most delicate thing is to love wisely and too well together. Maybe, Princess Diana loved the Pakistani doctor wisely but not too well if she had decided to make him jealous by consorting with Dodi Al Fayed. Romeo and Juliet loved each other all too well but perhaps not wisely when Juliet took that potion at the friar's advice to appear to be dead, and Romeo, hearing of Juliet's apparent death, killed Count Paris friend and committed suicide. Love, unlike most other things, is not a contrivance and cannot be improved by strategic diligence. Instead, Eric Fromm suggests, love works on four basic principles: care, responsibility, respect and knowledge. Care is fundamentally the active concern for the life and growth of that which we love. Responsibility is one's

response to the expressed or unexpressed needs of another human being. But responsibility would degenerate into domination and possessiveness without respect, which means that the other person should grow and unfold as he is. Again, respect will not be possible without knowledge. How can we respect a person unless we know him and see him in his own terms?

Shakeel Khan showed care and responsibility for the woman of his love, but he failed to show respect for and knowledge about her in his rash act to possess her. The man who killed the model only knew about her wealth but didn't have any sense of care, responsibility and respect for her. All four principles were absent from the mind of the shopkeeper who felt nothing but lust for that luckless girl in Rajshahi. On the contrary, despite life-long obsession inlaid with these four principles, Dante's love for Beatrice and Petrarch's love for Laura went unrequited.

That is where lust and love go their separate ways. An American author compared lust to putting an electric plug in a dead socket. It's all touch, but no contact and no light. Dante and Petrarch were guided by light of love for years after Beatrice died at the age of 24 and Laura was claimed by plague. Thus lust seeks gratification and

love seeks fulfilment; lust is focussed on pleasure and love is focussed on happiness.

Aldous Huxley argues in his *Brave New World* that man's happiness in the twentieth century consists in 'having fun', which lies in the satisfaction of consuming commodities, sights, food, drinks, cigarettes, people, lectures, books, movies, etc. In other words, people of our time try to find happiness in pleasure, the ersatz sense of fulfilment through ephemeral joys of gratification. Nothing is wrong with it except for the bad news. We are becoming commodities to one another in a market-dominated society where everything is ruled by supply and demand.

If you ask anyone what is on the other side of love, the answer you are likely to get is hatred. But hatred is only the eclipse of affinity, an emotional alternative to the power of love. In ideal situation, you will want to love someone you could not keep in love. That makes hatred the aberration of love, not its opposite. The opposite of love is cruelty, which has immense capacity to inflict pain when love is denied. Shakeel Khan and the film actress have been cruel to each other. The murdered girl have been innocent victims of the cruelty of others.

An Old French song says that love is the child of freedom. In that sense, absence of love is absence of freedom. The rising walls, iron gates, more locks and security guards in our houses already spell that loss of freedom. Soon, we might need to bring its loss to our heart by bolting its gates and raising walls, because nothing is safe on the other side of love.